

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-07 FRB-03 INR-07 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
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PASS TREASURY, COMMERCE AND EXIMBANK

E.O. 11652: N/A
TAGS: ETRD, EFIN, OECD
SUBJECT: OECD EXPORT CREDITS GROUP: APRIL 19-20
MEETING

1. SUMMARY: WITH 17 OF ECG'S 22 MEMBERS NOW ADHERING TO CONSENSUS ON EXPORT CREDIT POLICIES, FOCUS OF APRIL 19-20 MEETING WAS ON PROSPECTS FOR FURTHER BROADENING MEMBERSHIP AND IMPROVING THIS ARRANGEMENT. CONSENSUS PARTICIPANTS ENCOURAGED REMAINING FIVE ECG MEMBERS TO JOIN AS SOON AS POSSIBLE AND GENERALLY INDICATED THEIR SATISFACTION WITH OPERATION OF GUIDELINES THUS FAR. PARTICIPANTS INDICATED THEIR WILLINGNESS TO PROLONG PRESENT GUIDELINES UNTIL END OF 1977 IN CONJUNCTION WITH SERIOUS EFFORT IN MEANTIME TO IMPROVE THEM. OECD SECRETARIAT WAS GIVEN TASK OF SUPPORTING THIS AND WILL BOTH COLLECT ASSESSMENTS OF PARTICIPANTS' EXPERIENCE WITH EXISTING CONSENSUS AND CIRCULATE
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PARTICIPANTS' PROPOSALS FOR IMPROVEMENT WHICH THEY HAVE BEEN ASKED TO SUBMIT BY END OF JUNE. CONSENSUS PARTICIPANTS AGREED TO MEET OCT. 19 AND 21, WITH ECG ITSELF MEETING OCT. 20. END SUMMARY.

2. CONSENSUS ON EXPORT CREDIT POLICIES: 17 MEMBERS OF ECG ADHERING TO CONSENSUS GAVE STRONG ENCOURAGEMENT TO

REMAINING MEMBERS OF GROUP TO JOIN. SPAIN, PORTUGAL, AND GREECE INDICATED THEY WERE STILL CONSIDERING QUESTION, WHILE AUSTRIA SAID IT DID NOT INTEND TO JOIN UNTIL US AND JAPAN JOINED OECD PRIOR CONSULTATION PROCEDURE. NEW ZEALAND WAS NOT PRESENT AT MEETING. DISCUSSION OF PROSPECTS FOR IMPROVING GUIDELINES REVEALED SOMEWHAT DIFFERENT VIEWS AMONG MAJOR PARTICIPANTS. CANADIANS INDICATED THEIR STRONG FEELING THAT FURTHER "COMMERCIALIZING" OF GUIDELINES (ELIMINATION OF COUNTRY GROUPS, TAILORING OF INTEREST RATES TO MATURITIES) WAS ESSENTIAL IF THEY WERE TO BE OF ANY REAL VALUE, AND SAID THEIR ADHESION WOULD BE "OPEN QUESTION" IF NO IMPROVEMENTS WERE MADE AT END OF BRIEF EXTENSION PERIOD. EC, AS EXPECTED, PUT EMPHASIS ON CONSOLIDATING EXPERIENCE WITH EXISTING ARRANGEMENT, LEAVING DOOR OPEN TO CONSIDERATION OF IMPROVEMENTS, INCLUDING CANADIAN IDEAS (EC REP KLEIN WARNED CANADA HOWEVER TO MODERATE ITS DEMANDS, ESPECIALLY ON COUNTRY LISTS, IF IT REALLY WANTED FORWARD MOVEMENT). US DEL WELCOMED CANADIAN INITIATIVES, SAID US ALSO SOUGHT RENEGOTIATION OF CONSENSUS IN NEAR FUTURE, AND POINTED TO OLD "GRANDFATHERED" CREDIT LINES AND INADEQUATE RESPONSES TO INFORMATION REQUESTS AS EXAMPLES OF CURRENT PROBLEMS WITH GUIDELINES OPERATION. JAPAN PLACED EMPHASIS ON INCREASING MEMBERSHIP OF EXISTING CONSENSUS.

3. SECRETARIAT'S PROPOSALS FOR ADAPTING OECD PRIOR CONSULTATION PROCEDURE (PCP) TO FIT CONSENSUS GOT MIXED REACTION AND LED TO GENERAL DISCUSSION OF OECD ROLE IN LIMITED OFFICIAL USE

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CONSENSUS OPERATION AND IMPROVEMENT. GENERAL VIEW WAS THAT IT WOULD BE PREMATURE FOR SECRETARIAT TO DRAW UP FORMAL INSTRUMENT FOR NEW PCP, AS MOST DELS DID NOT WANT TO SEPARATE SUBSTANTIVE AND PROCEDURAL ASPECTS OF GUIDELINES IMPROVEMENT. (JAPANESE, HOWEVER, SAW NO HARM IN SECRETARIAT DRAFTING EFFORT AND DUTCH, IN OPPOSITION TO COMMISSION, STRONGLY SUPPORTED THIS.) GROUP AGREED THAT IT WOULD BE BENEFICIAL TO USE OECD FACILITIES AND EXPERTISE IN PROCESS OF BROADENING AND IMPROVING GUIDELINES, BUT LIMITED SECRETARIAT ROLE AT THIS STAGE TO TWO TASKS TO HELP PREPARE FOR FALL CONSULTATIONS/ NEGOTIATIONS: 1) COLLECTION OF ASSESSMENTS FROM CONSENSUS PARTICIPANTS ON THEIR EXPERIENCE WITH OPERATION OF GUIDELINES, INCLUDING WHERE POSSIBLE INFORMATION ON TRANSACTIONS UNDER EXCEPTIONS AND DEROGATIONS, AND

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2) CIRCULATION OF PARTICIPANTS' PROPOSALS AND IDEAS
FOR IMPROVING GUIDELINES. INFO FROM DELS ON BOTH THESE
POINTS IS DUE IN SECRETARIAT BY END OF JUNE.

4. ON SECTORS, GROUP AGREED THIS SHOULD BE CONSIDERED
IN CONJUNCTION WITH IMPROVING CONSENSUS. US DEL
EMPHASIZED DESIRE TO REDUCE CONCESSIONAL ELEMENT IN
OFFICIAL EXPORT FINANCING AND INDICATED US WILLINGNESS
TO DISCUSS ALL INDUSTRIAL SECTORS, PROPOSING 8 PER CENT
MINIMUM INTEREST RATE AS GENERAL RULE.

5. WITH RESPECT TO EXTENSION OF CONSENSUS, PARTICIPANTS
AGREED, ON BASIS OF AGREEMENT TO SET WORK IN MOTION FOR
CONSIDERATION OF IMPROVEMENTS, TO RECOMMEND TO THEIR
GOVERNMENTS AN EXTENSION OF 6 MONTHS (TO THE END OF
1977). JAPANESE DEL SAID HE WOULD RECOMMEND THIS TO
TOKYO ON BASIS THAT ALL OTHERS HAD AGREED. THOSE
PARTICIPANTS WHOSE ADHERENCE TO CONSENSUS HAS A JUNE 30
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TIME LIMITATION AGREED TO INFORM OECD SECRETARIAT BY END

OF JUNE (AND IF POSSIBLE BEFORE JUNE 23-24 OECD MINISTERIAL) OF THEIR FORMAL DECISION TO PROLONG ADHERENCE.

6. EAST-WEST TRADE FINANCING: ECG CONFIRMED ITS EARLIER DECISION TO INCLUDE ALL COUNTRIES NOT ON DAC LIST IN NEW DATA COLLECTION EFFORT AND COMMISSIONED SECRETARIAT TO SOLICIT DATA FROM MEMBERS AS SOON AS POSSIBLE. GROUP ALSO AGREED WITH US PROPOSAL TO SUBMIT ERS FORM 2 FOR OFFICIAL CREDITS.

7. LOCAL COSTS: GROUP AGREED TO LEAVE UNDERSTANDING AS IT IS FOR TIME BEING. US DEL STATED VIEW THAT LOCAL COST FINANCING COULD BE ELIMINATED ALTOGETHER, BUT AT MOST SHOULD BE RESTRICTED TO LDC'S, NOT BE ON MORE FAVORABLE TERMS THAN FINANCING FOR RELATED EXPORTS, AND NOT BRING TOTAL FINANCING TO MORE THAN 100 PER CENT OF RELATED EXPORT VALUES ORIGINATING IN THE EXPORTING COUNTRY. JAPANESE SAID THEIR EXPORTERS FELT AT DIS-ADVANTAGE BECAUSE OF ACTIVITIES OF OTHER COUNTRIES' COMMERCIAL BANKS IN LOCAL COST FINANCING (PROHIBITED TO JAPANESE BANKS) AND WANTED TO KEEP THIS FACILITY.

8. EXPORT INFLATION INSURANCE SCHEMES: US DEL EXPRESSED CONCERN ABOUT THESE SCHEMES AND GROUP AGREED TO KEEP ITEM ON AGENDA WHILE FOLLOWING DEVELOPMENTS IN GATT.

9. NOTIFICATIONS OF CHANGES IN EXPORT CREDIT POLICIES: THERE WAS NO COMMENT ON CHARGES WHICH HAD BEEN NOTIFIED TO GROUP SINCE ITS LAST MEETING, BUT SEVERAL DELS MADE ORAL STATEMENTS ABOUT CHANGES NOT YET NOTIFIED OR IN PROSPECT. DUTCH SAID THEY HAD DECIDED TO RENEW AND EXPAND (TO DFL 100 MILLION) THE "MATCHING FUND" ESTABLISHED LAST YEAR TO HELP EXPORTERS MEET COMPETITION LIMITED OFFICIAL USE

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(CANADIANS EXPRESSED THEIR DISAPPOINTMENT AT THIS NEWS). DANES STATED THEY HAD ESTABLISHED A FUND WITH RESOURCES OF \$5 MILLION TO GIVE GRANTS TO BUYERS TO MATCH FOREIGN COMPETITION. JAPAN REPORTED EXPANSION OF ITS INSURANCE SYSTEM TO COVER ARBITRARY CANCELLATION OF PERFORMANCE BONDS. AUSTRIA ANNOUNCED IT HAD MADE SIGNIFICANT CHANGES IN ITS PROGRAM TO FACILITATE MOVEMENT TOWARD THE CONSENSUS. ITALY NOTED MINOR CHANGES IN POLICIES.

10. REPORT TO TRADE COMMITTEE: TEXT OF THIS REPORT, WHICH WILL FORM BASIS OF REPORT TO OECD JUNE MINISTERIAL MEETING ON PROGRESS IN EXPORT CREDIT FIELD, IS REPORTED VIA SEPTTEL.

11. DATE OF NEXT MEETING: ECG WILL MEET OCT. 20, WITH
OCTOBER 19 AND 21 SET ASIDE FOR MEETING OF CONSENSUS
PARTICIPANTS. OCT. 18 WILL BE AVAILABLE FOR INFORMAL
CONSULTATIONS AMONG THOSE DELEGATIONS WHICH DESIRE THEM.
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